

STATE OF CALIFORNIA

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PERSONNEL/PAYROLL SERVICES DIVISION
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Date: December 1, 1999

PAYROLL LETTER # 99-023

To: All Agencies/Campuses in the Uniform State Payroll System

From: Ralph Zentner, Chief
Personnel/Payroll Operations Bureau

Re: 1999 WAGE AND TAX STATEMENTS

This Payroll Letter provides information regarding the 1999 Wage and Tax Statement, Form W-2. For additional information, please refer to the appropriate sections in the Payroll Procedures Manual.

We anticipate releasing/mailling these forms by January 10, 2000. For those agencies/campuses distributing Forms W-2, please release these to your employees as soon as possible. The State is mandated to provide Forms W-2 to employees within 30 days after the close of the tax year.

NOTE: The last payment of the tax year will determine to which agency/campus the Form W-2 will be released for distribution.

GENERAL INFORMATION REGARDING FORM W-2

Below are answers to questions frequently asked regarding Form W-2:

1. The Form W-2 reflects wages paid by warrants/direct deposit payments that were issued during the 1999 tax year, regardless of the pay period in which the wages were earned. The 1999 Form W-2 includes warrants/payments issue dated January 1, 1999 through December 31, 1999. The Form W-2 contains all wage and tax information for an employee regardless of the number of State agencies/campuses for which he or she worked during the tax year.
2. The year-to-date gross on the final earnings statement/direct deposit advice for 1999 may not agree with Box 1 (Wages, Tips, Other Compensation), due to the following items:

- Accounts Receivable deductions
- Non-USPS Adjustments
- Deferred Compensation deductions
- Pre-Tax Benefit deduction (POP/TAPP)
- Flex Benefit deductions

Retirement/PST Contributions
Labor Code 4800 payments
Tax Sheltered Annuity deductions
Consolidated Benefits

3. Non-Industrial Disability Leave, Temporary Disability and Industrial Disability Leave Supplementation payments are considered wages and are included in Box 1.
4. Industrial Disability Leave (IDL) payments are considered employee benefits rather than wages and are not included in Box 1. Additionally, IDL payments are not subject to Social Security/Medicare wages and will not be reflected in Box 3 (Social Security Wages) or Box 5 (Medicare Wages).
5. Box 4 (Social Security Tax Withheld) was computed based upon the 1999 rate of 6.20% of wages subject to Social Security. The 1999 maximum wages subject to Social Security was \$72,600.
6. Box 6 (Medicare Tax Withheld) was computed based upon the 1999 rate of 1.45% of wages subject to Medicare. There is no maximum amount of wages subject to Medicare.
7. Box 15 (not titled, but used to identify if employee is in a pension plan) will have an "X" indicated for all employees who were members of either the Public Employees', State Teachers', Judges' or Legislators' Retirement System or in a 401(k) Deferred Compensation Thrift Plan during 1999. Employees in the Part-time, Seasonal and Temporary retirement plan will not have an "X" indicated in the box.
8. Box 1 and Box 3 or 5 may not agree due to the following items:

Accounts Receivable deductions
Reaching Social Security maximum wages
Deferred Compensation deductions
Retirement/PST contributions
Flex Benefit deductions
Tax Sheltered Annuity deductions
Pre-Tax Benefit deductions (POP/TAPP)
Consolidated Benefits

9. Employees who had Deferred Compensation (DC-deduction code 029, Retirement ID 'TD' or 'TM', or deduction code 006) or Tax Sheltered Annuity (TSA-deduction code 030 and 040 for Civil Service and codes 026 and 027 for California State University) deductions withheld will have an "X" indicated in the Deferred Compensation box in Box 15. In addition, the total DC/TSA deduction amounts for the 1999 tax year will appear adjacent to the corresponding code in Box 13 (not titled).
10. Dependent Care deduction amounts withheld in 1999 will be reported in Box 10 (Dependent Care Benefits).
11. Fringe benefits will be reported in Boxes 1 and 12 (Benefits included in Box 1). This amount will also be included in Boxes 3 and 5, if applicable.
12. The non-taxable Standard Mileage Reimbursement amounts up to the State's allowances will be indicated in Box 13 with code "L". The non-taxable portion of Moving Expense Mileage Reimbursements will be indicated in Box 13 with code "P".

13. The qualified (non-taxable) reimbursement amount of Moving Relocation Expenses will be indicated in Box 13 with code "P".
14. Basic Allowance for Housing and Subsistence (BAH and BAS) will be indicated in Box 13 with code "Q" for Department of Military employees receiving these non-taxable payments.
15. The imputed value of Group Term Life Insurance coverage in excess of \$50,000 will be indicated in Box 13 with code "C".
16. If an employee receives a Form W-2 with an incorrect social security number or two or more Forms W-2 with different social security numbers, the employee's Employment History record must be corrected. Submit a PAR/PPT to correct the record. Payroll Operation's W-2 Unit will then send a Form W-2C (Statement of Corrected Income and Tax Amounts) to the department/campus for the affected employee.
17. Duplicate Forms W-2 may be requested by completing Form Std. 436, available through Central Stores. There is a \$7.50 processing fee for each tax year a duplicate Form W-2 is requested.

Please note, if the State Controller's Office mailed Forms W-2 to your employee's home addresses and the employee claims that his/her Form W-2 was never received, we will not require a fee for providing a duplicate Form W-2 if the request is received by March 1. However, in order to receive this fee waiver, Personnel/Payroll offices must complete Form Std. 436 requesting fee waiver indicating the W-2 was never received and that the mailing address was verified to be correct.

18. Any questions concerning Federal or State tax returns must be directed to the local Internal Revenue Service or Franchise Tax Board Office.

If you have any questions regarding this Payroll Letter or the information on the Form W-2, please contact Payroll Operation's W-2 Unit at (916) 322-8100 or CALNET 492-8100. Please ensure employees do not contact the W-2 unit directly.

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